

Key Capital Retail Fund No.9
as at 30 June 2023

ARSN 635 964 804

**KEY CAPITAL LIMITED
RESPONSIBLE ENTITY REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

The Directors of Key Capital Limited (the “Responsible Entity”), present their report on Key Capital Retail Fund No.9 (“the Fund”) for the year ended 30 June 2023.

1. Directors of the Responsible Entity

The names of Directors of the Responsible Entity in office at any time during or since the end of the year are:

James D. Permezel
Stephen Nicholls
George Nikakis

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Principal Activities

The principal activities of the Fund are to act as landlord of commercial properties, for the purpose of earning revenue in the form of rent.

3. Operating Results

The net profit of the Fund for the year ending 30 June 2023 was \$573,083 (2022: \$160,732 profit).

4. Distributions Paid or Recommended

Distributions paid or declared for payment for the year ending 30 June 2023 were \$225,000 (2022: \$225,000)

	2023		2022	
	\$	Average Cents	\$	Average Cents
Total distributions paid	225,000	7.50	225,000	7.50

5. Review of Operations

During the year ended 30 June 2023 the Fund continue to undertake its principal activities as outlined above.

6. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the state of affairs of the Fund during the financial year.

7. After Balance Date Event

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

8. Future Developments

The Fund will continue with its current investment objectives and strategy.

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9. Environmental Issues

The Fund complied with all environmental regulations during the course of the financial year.

10. Indemnifying Officers or Auditor

During or since the end of the financial year, the Responsible Entity has paid insurance premiums to insure each of the aforementioned directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

11. Options

No options were granted since the end of the financial year and there are no options outstanding at the date of this report. The directors and executives of the Responsible Entity hold no options over interests in the Fund.

12. Proceedings on Behalf of the Fund

No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings. The Fund was not a party to any such proceedings during the year.

13. Fees, Commissions or other charges by the Responsible Entity or Related Parties of the Responsible Entity

All Responsible Entity fees have been detailed in Note 11 "Related Party Transactions".

14. Units held by the Responsible Entity or Related Parties of the Responsible Entity

At 30 June 2023 the Responsible Entity and its related parties held 594,225 units (2022: 594,225) in the Fund, as detailed in Note 11 on Related Parties Transactions.

15. Interests Issued in the Fund

During the year nil additional units were issued (2022: nil).

16. Buy Back Arrangements

As detailed in the Fund Constitution the Responsible Entity is not under any obligation to buy back, purchase or redeem units from unit holders. During the prior year the responsible entity of the Fund offered a limited withdrawal offer to investors whereby investors could withdraw all or part of their investment.

17. Value of Scheme Assets

The total value of the Fund's assets at the end of the reporting period is \$5,607,586 (2022: \$4,878,787). The methodology utilised in valuing the assets is detailed in the notes to the financial statements.

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18. Number of Interests on Issue

At 30 June 2023, the number of units issued in the Fund was 3,000,000 units (2022: 3,000,000). No units have been issued subsequent to the reporting period.

19. Auditors' Independence Declaration

A copy of the auditors' independence declaration as required by section 307C of the *Corporations Act 2001* is set out in the following report.

Signed in accordance with a resolution of the Board of Directors of Key Capital Limited by:



**George Nikakis
Director**

Date: 28 September 2023

The Board of Directors
Key Capital Limited
Unit 1
13 Old Lilydale Rd
Ringwood East
VIC 3135

28 September 2023

Dear Board Members

Key Capital Retail Fund No.9

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Key Capital Property Limited, the Responsible Entity of Key Capital Retail Fund No.9.

As lead audit partner for the audit of the financial statements of Key Capital Retail Fund No.9 for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001*, in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Daniel Allison & Associates Assurance

DANIEL ALLISON & ASSOCIATES ASSURANCE
Chartered Accountants



Paul Carr
Partner
Melbourne

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Revenue and other income			
Property revenue	2	386,141	339,000
Interest income		600	4
Total revenue and other income		386,741	339,004
Expenses			
Property expenses		131,755	97,135
Finance costs	3	105,559	54,717
Responsible entity's fees - Management		23,580	24,737
Responsible entity's fees - Exit fees		6,500	500
Responsible entity's fees - Rollover fees		111,682	-
Custodian fee		15,000	15,000
Other expenses		62,582	36,183
Total expenses		456,658	228,272
Other gains/losses			
Net changes in fair value of investment properties	6	643,000	50,000
Net gains from other items		643,000	50,000
Profit for the year		573,083	160,732
Other comprehensive income		-	-
Total comprehensive income for the year		573,083	160,732

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	Notes	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	4	85,848	18,043
Trade and other receivables	5	11,738	10,744
Total current assets		97,586	28,787
Non-current assets			
Investment properties	6	5,510,000	4,850,000
Total non-current assets		5,510,000	4,850,000
Total assets		5,607,586	4,878,787
Current liabilities			
Trade and other payables	7	44,278	30,395
Interest-bearing loans and borrowings	8	2,148,222	-
Total current liabilities		2,192,500	30,395
Non-current liabilities			
Interest-bearing loans and borrowings	8	-	1,787,889
Provisions	9	55,000	48,500
Total non-current liabilities		55,000	1,836,389
Total liabilities		2,247,500	1,866,784
Net assets		3,360,086	3,012,003
Equity			
Issued units	10	2,945,477	2,945,477
Retained Earnings		414,609	66,526
Total equity		3,360,086	3,012,003

The statement of financial position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Issued Capital	Retained earnings	Total
	\$	\$	\$
Equity as at 1 July 2022	2,945,477	66,526	3,012,003
Profit for the year	-	573,083	573,083
Total comprehensive income for the year	-	573,083	573,083
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid	-	(225,000)	(225,000)
Equity as at 30 June 2023	2,945,477	414,609	3,360,086
Equity as at 1 July 2021	2,945,477	130,794	3,076,271
Profit for the year	-	160,732	160,732
Total comprehensive income for the year	-	160,732	160,732
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid	-	(225,000)	(225,000)
Equity as at 30 June 2022	2,945,477	66,526	3,012,003

The statement of changes in equity should be read in conjunction with the accompanying notes.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Cash receipts from customers		386,141	339,000
Cash payments to suppliers		(331,710)	(171,532)
Finance costs		(105,559)	(59,669)
Interest received		600	4
Net cash flows from operating activities	4	(50,528)	107,803
Cash flows from investing activities			
Payments for investment properties		(17,000)	-
Net cash flows from investing activities		(17,000)	-
Cash flows from financing activities			
Proceeds from/(Repayment of borrowings)		360,333	(194,715)
Distributions paid to unitholders		(225,000)	(336,488)
Net cash flows from financing activities		135,333	(531,203)
Net cash flows		67,805	(423,400)
Cash and cash equivalents at the beginning of year		18,043	441,443
Cash and cash equivalents at the end of year	4	85,848	18,043

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 1: Basis of preparation and new accounting pronouncements

Note 1.1 Basis of preparation

Reporting entity

The financial statements are for the entity Key Capital Retail Fund No.9 (“the Fund”) as an individual entity. The Fund is a for profit, unlisted registered scheme established and domiciled in Australia. The principal activity of the Fund is disclosed in the directors report.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Fund has an excess of current liabilities over current assets of \$2,094,914 due to the classification of the interest bearing loan, which matures in November 2023, being classified as current. The directors of the Responsible Entity do not anticipate any issues in relation to renewing this facility.

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the international Accounting Standards Board (“IASB”).

The financial report was authorised for issue in accordance with a resolution of the board of directors of Key Capital Limited, the ‘Responsible Entity’, on 28 September 2023.

Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for investment properties and derivative financial instruments, which have been measured at fair value at the end of the reporting period. Cost is based on the fair values of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Fund’s functional currency.

Use of estimates, assumptions and judgements

In the application of the Fund’s accounting policies, the Responsible Entity is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to:

- Investment properties – Note 6
- Asset disposal fees – Note 9

Judgements made by the Responsible Entity that have significant effects on the financial statements and estimates with significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 1: Basis of preparation and new accounting pronouncements (Continued)

Note 1.1 Basis of preparation (Continued)

Segment Reporting

The Fund operates in one segment, being investments in Australian commercial property. The Fund has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The Responsible Entity has been identified as the Fund's chief operating decision maker.

1.2 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Fund has adopted all the new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the Fund, as they did not result in any changes to the Fund's existing accounting policies.

1.3 Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Fund. The directors do not believe the adoption of these standards and interpretations will result in a material change on the reported results and position of the Fund, as they will not result in any changes to the Fund's existing accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 2: Revenue

	2023 \$	2022 \$
Base rent	386,141	339,000
Recoverable outgoings	-	-
	386,141	339,000

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Rental Income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income not received at reporting date is reflected in the statement of financial position as a receivable. If rents are paid in advance these amounts are recorded as payables in the statement of financial position.

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form of the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when charged.

Recoverable Outgoings

The Fund recovers the costs associated with the general building and tenancy operation from lessees in accordance with the specific clauses in the lease agreements. These are invoiced monthly based on an annual estimate.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

Sale of Properties

Any gain or loss on the sale of an investment property is recognised when the control of the asset is passed to the buyer, which normally coincides with the settlement of the contract of sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 3: Expenses

Recognition and measurement

Finance costs are recognised in the profit or loss statement as they accrue. Finance costs are recognised using the effective interest rate applicable to the financial liability.

Finance Costs

Finance costs include interest expense and amortised borrowing costs.

	2023 \$	2022 \$
Interest expense	99,776	49,384
Amortisation of borrowing costs	5,783	5,333
	105,559	54,717

Other expenses

All other expenses, including rates, taxes and other property outgoings and management fees, are recognised in profit or loss on an accruals basis. Other operating expenses include legal, accounting and audit fees.

Goods and services tax

Revenues, expenses and assets are recognised exclusive of goods and services tax ("GST") which is recoverable from the Australian Taxation Office ("ATO") as an input tax credit ("ITC").

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows with the amount of GST included. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 4: Cash and cash equivalents

	2023 \$	2022 \$
Cash and cash equivalents	85,848	18,043

Reconciliation of profit before distribution to unitholders to the net cash flows from operating activities:

Profit for the year	573,083	160,732
Net changes in fair value of investment properties	(643,000)	(50,000)
Property disposal fees	6,500	500
Decrease/(increase) in receivables and prepayments	(994)	(5,189)
(Decrease)/increase in payables	13,883	1,760
Net cash flows from operating activities	(50,528)	107,803

Recognition and measurement

Cash in the statement of financial position, and for the purposes of the statement of cash flows, comprises cash at bank and short term deposits. Cash at bank earns interest at floating interest rates based on daily bank deposit rates.

Note 5: Trade and other receivables

Other receivables	-	-
Prepayments	11,738	10,774
	11,738	10,774

Refer to Note 13 for details on fair value measurement and the Funds exposure to risks associated with financial assets (other receivables are not considered to be financial assets).

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently amortised cost using the effective interest rate method less any allowance under the expected credit loss model ("ECL").

Recoverability of loans and receivables

At each reporting period the Fund assesses whether the financial assets carried at amortised cost are 'credit-impaired'. A financial asset is credit-impaired when one or more events that has a detrimental impact on the estimated future cash flows of the asset have occurred.

The Fund recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured at the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive.

The Responsible Entity has continued to analyse the age of outstanding receivable balances post balance sheet date and applied estimated percentages of recoverability as a means to estimate ECL, as well as the financial stress of the counterparties and their ability to continue as a going concern. Debts that are known to be uncollectable are written off when identified.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 6: Investment Properties

	2023 \$	2022 \$
Opening balance	4,850,000	4,800,000
Capital expenditure	17,000	-
Changes in fair value of investment properties	643,000	50,000
Closing balance – Directors Valuation	5,510,000	4,850,000

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$nil (2022: \$nil).

Leases as lessor

The Fund leases out its investment properties under operating leases. The Fund has determined that it retains all the significant risks and rewards of ownership of these properties and has therefore classified the leases as operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

Less than one year	253,085	328,629
Between one and five years	721,146	1,141,491
More than five years	52,617	-
	1,026,848	1,470,120

Property	Fair Value		Capitalisation Rate		Last Independent Valuer/Date	Last Independent Valuation \$
	2023 \$	2022 \$	2023 %	2022 %		
139-143 Hobart Road, Kingsmeadows	5,510,000	4,800,000	6.25	6.50	Knight Frank Jul 2022	4,800,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 6: Investment Properties (Continued)

Recognition and measurement

Investment properties are properties held to either earn rental income or for capital appreciation or for both. Investment properties are initially recorded at cost which includes stamp duty and other transaction costs. Subsequently, the investment properties are measured at fair value with any change in value recognised in profit or loss. The carrying amount of investment properties includes components relating to deferred rent, lease incentives and leasing fees.

An investment property is derecognised upon disposal. Any gain or loss arising on the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Valuation techniques and significant unobservable inputs

The fair values of investment properties were determined by the directors of the Responsible Entity or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach – The annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach – Future annual cash flows are estimated over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach – Comparable sales on a dollar per square metre of lettable area basis are determined and compared against the equivalent rates to the property being valued to determine the property's market value.

Fair value measurement

The fair value measurement of investment property has been categorised as a level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Significant unobservable input	Valuation input value		Impact on fair values	
	2023	2022	Increase input	Decrease input
Capitalisation rate	6.25%	6.50%	Decrease	Increase

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 7: Trade and other payables

	2023	2022
	\$	\$
Sundry creditors and accruals	44,278	30,395
	44,278	30,395

Refer to Note 11 for amounts payable to related parties.

Recognition and measurement

Trade payables and other accounts payable are recognised when the Fund becomes obligated to make future payments resulting from the purchase of goods and services and are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

Distributions paid or payable are recognised as distributions within equity. A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 8: Interest bearing loans and borrowings

As at 30 June 2023 the Fund has the following interest bearing loans and borrowings:

Facility	Expiry date	2023		2022	
		Limit \$	Amount drawn \$	Limit \$	Amount drawn \$
Current					
Bank loan	Nov 2023	2,150,000	2,150,000	-	-
Unamortised borrowing costs		-	(1,778)	-	-
		2,150,000	2,148,222	-	-
Non-current					
Bank loan	Oct 2023	-	-	2,000,000	1,795,000
Unamortised borrowing costs		-	-	-	(7,111)
		-	-	2,000,000	1,787,889

As at 30 June 2023, the Fund had \$Nil (2020: \$Nil) fixed rate loans and \$nil (2022 \$nil) of interest rate swaps hedged against its drawn debt.

All facilities are interest only facilities and are secured by first mortgages over the Fund's investment properties and a first ranking fixed and floating charge over all assets of the Fund.

The secured loans have covenants in relation to loan to value ratio ("LVR") and interest cover ratio ("ICR") which the Fund has complied with during the year.

Recognition and measurement

Borrowings are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method with any difference between the initial and recognised amount and redemption value being recognised in profit or loss over the period of the borrowing and are derecognised when the contractual obligations are discharged, cancelled or expire.

Refer to Note 13 for details on the Fund's exposure to interest risks associated with financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 9: Provisions

	2023 \$	2022 \$
Asset disposal fees	55,000	48,500
Movements during the financial year:		
Opening balance	48,500	48,000
Charged to the statement of comprehensive income:		
- Provision made during the period	6,500	500
Closing balance	55,000	48,500

Recognition and measurement

The provision for asset disposal fees relates to amounts payable to the Responsible Entity upon the sale of the investment property. The amount payable is based on a percentage of the property sale price. The provision is being recognised on a timely basis once the investment has been acquired to reflect the service provided by the Responsible Entity. There is an amount of uncertainty as to when the property will be sold and the sale price.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 10: Issued Units

	2023		2022	
	Units	\$	Units	\$
Opening balance				
Units issued	3,000,000	3,000,000	3,000,000	3,000,000
Equity raising costs	-	(54,523)	-	(54,523)
Closing balance	3,000,000	2,945,477	3,000,000	2,945,477

All units in the Fund are of the same class and carry equal rights to capital and income distributions.

An equity instrument is any contract that evidences a residual interest in the assets of a Fund after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds, net of direct issue costs.

Distributions paid to Unitholders

	2023	2022
	\$	\$
Distributions paid	225,000	225,000
	Average Cents	Average Cents
Per unit	7.50	7.50

Distributions and taxation

Under current Australian income tax legislation, the Fund is not liable for income tax for the financial year as the Fund has fully distributed its distributable income as determined under the Fund's constitution, whilst its unitholders are presently entitled to the income.

Distributions are determined by the Responsible Entity of the Fund and are payable as set out in the Fund's Product Disclosure Statement. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Net realised capital losses and tax losses are not distributed to unitholders but are retained to be offset against any realised capital gains and future assessable income respectively.

A liability is recognised where distributions have been declared but have not been paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 11: Related Parties

Key management personnel

The Fund does not employ personnel in its own right. However, it required to have an incorporated Responsible Entity, Key Capital Limited, to manage the activities of the Fund.

The directors of the Responsible Entity are key management personnel of that entity, and their names are:

James D. Permezel

Stephen Nicholls

George Nikakis

No compensation is paid directly by the Fund to directors or to any of the key management personnel of the Responsible Entity. Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosure

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Responsible entity

The Responsible Entity of Key Capital Retail Fund No.9 is Key Capital Limited.

Responsible entity's fees and other transactions

Under the terms of the constitution, the Responsible Entity is entitled to receive fees in accordance with the product disclosure statement.

	2023 \$	2022 \$
<i>Fees for the year paid/payable by the Fund:</i>		
Management of the Fund	23,580	27,437
Asset disposal fee	6,500	500
Rollover fee	111,682	-
Capital works fee/Asset Acquisition fee	-	-
<i>Amounts receivable:</i>		
Amounts receivable from the Responsible Entity	-	-
<i>Amounts payable:</i>		
Disposal fee	55,000	48,500
Management fee	25,418	2,311

Unitholdings

The Responsible Entity held units in the Fund as follows:

Number of Units held	-	-
Interest % held	-	-
Distributions paid/payable from the Fund	-	-

KEY CAPITAL RETAIL FUND NO.9
ARSN 635 964 804

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 11: Related Parties (Continued)

Transactions and balances with companies which are associated with the Responsible Entity or its affiliates

	2023 \$	2022 \$
Management of the Properties (Retail Leisure Life) (i)	8,255	6,653
Other payables	-	-

(i) Entities associated with one or more of the directors.

Transactions and balances with managed investment schemes which are managed by the Responsible Entity or its affiliates

Unitholdings

Managed investment schemes which are managed by the Responsible Entity or its affiliates held units in the Fund:

Number of Units held	347,300	-
Interest % held	11.57%	-
Distributions paid/payable from the Fund	2,170	-

KEY CAPITAL RETAIL FUND NO.9
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 11: Related Parties (Continued)

Transactions and balances with companies which are associated with the Responsible Entity or its affiliates

	2023	2022
	\$	\$
<i>Other director related entities held units in the Fund:</i>		
<u>Entities & individuals associated with Mr. George Nikakis</u>		
Number of Units held	-	173,650
Interest % held	-	5.74%
Distributions paid/payable from the Fund	11,938	14,012
Distribution payable at year end	-	-
<i>Other director related entities held units in the Fund:</i>		
<u>Entities & individuals associated with Mr. Stephen Nicholls</u>		
Number of Units held	-	173,650
Interest % held	-	5.74%
Distributions paid/payable from the Fund	11,938	14,012
Distribution payable at year end	-	-
<i>Other director related entities held units in the Fund:</i>		
<u>Entities & individuals associated with Mr. James Permezel</u>		
Number of Units held	246,925	246,925
Interest % held	8.23%	8.23%
Distributions paid/payable from the Fund	18,519	18,519
Distribution payable at year end	-	-
<i>Other director related entities held units in the Fund:</i>		
<u>Key Capital Limited ATF Retail Leisure & Life Trust[^]</u>		
Number of Units held	-	13,175
Interest % held	-	-%
Distributions paid/payable from the Fund	-	494
Distribution payable at year end	-	-

[^] Entity associated with Mr. Stephen Nicholls and Mr. George Nikakis

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 12: Auditors remuneration

	2023 \$	2022 \$
Daniel Allison & Associates Assurance		
Audit or review of financial report	13,240	11,890
Review of financial report	3,965	3,730
<i>Other services:</i>		
Other	565	3,260
<hr/>		
Other auditors		
Other services – compliance plan audit	2,400	2,285

Note 13: Financial instruments

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair value in the financial statements, including any fixed rate borrowings. All financial instruments are measured at amortised cost with the exception of derivative financial instruments. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the period.

Valuation techniques

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of interest rate swaps are determined using a discounted cash flow analysis. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit rate of the various counterparties

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date
- Level 2 – Derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices)
- Level 3 – Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 13: Financial instruments

Capital management

The capital structure of the Fund consist of cash and cash equivalents and the proceeds from the issue of the units of the Fund.

The Fund has no restrictions or specific capital requirements on the application and redemption of units, other than the approval of the Responsible Entity.

The Funds overall investment strategy remains unchanged from the prior year.

Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These potential risks include; market risk (interest rate risk), credit risk and liquidity risk. The Fund's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Fund's financial performance.

Market risk

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. The Fund' activities expose it primarily to the financial risk of changes in interest rates.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

Interest rate risk management

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at reporting date:

	2023		2022	
	Effective interest rate	Total \$	Effective interest rate	Total \$
Financial assets				
Cash and cash equivalents	0.00%	85,848	0.00%	18,043
		85,848		18,043
Financial liabilities				
Borrowings – variable (excluding borrowing costs)	6.20%	2,150,000	3.23%	1,795,000
		2,150,000		1,795,000

Interest rate sensitivity

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and liabilities that have variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 13: Financial instruments (Continued)

Market risk (Continued)

Interest rate sensitivity (Continued)

At reporting date, if variable interest rate had been 50 (2022: 50) basis points (“bps”) higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		Sensitivity impact	
		Rate increase	Rate decrease
		\$	\$
2023			
Net profit/(loss)	50bps	(10,321)	10,321
	50bps	(10,321)	10,321
2022			
Net profit/(loss)	50bps	(8,885)	7,792
	50bps	(8,885)	7,792

The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

Price Risk

The Fund is exposed to price risk on its deferred asset disposal fees of \$55,000 (2022: \$48,500) . The deferred asset disposal fees are calculated and recognised based on the underlying changes in the price of the investment properties. Changes in the value of the investment property will directly affect the amounts recognised. Investment property and the associated price risk is actively managed and monitored by the directors, using strategy developed by methodical asset planning and Fund budgeting processes.

At reporting date, if property values had been 5% (2022: 5%) higher or lower and all other variables were held constant, the impact to the Fund would have been as follows:

		Sensitivity impact	
		Rate increase	Rate decrease
		\$	\$
2023			
Net profit/(loss)	5%	(2,750)	2,750
		(2,750)	2,750
2022			
Net profit/(loss)	5%	(2,400)	2,400
		(2,400)	2,400

The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Note 13: Financial instruments (Continued)

Credit risk

The Fund has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by the Responsible Entity.

At 30 June 2023, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2023. Refer to Note 5 for details of trade receivables.

The credit risk on receivables is minimal because of the proven remittance history of the counterparties. Credit risk from balances with banks and financial institutions is managed by the Responsible Entity in accordance with the Fund's investment policy. Cash investments are made only with approved counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Fund assessed the collectability of trade receivables impacted by the COVID-19 pandemic, refer to Note 5 for the details of testing.

Liquidity risk

The Fund's strategy of managing liquidity risk is in accordance with the Fund's investment strategy. The Fund manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and aligning the profiles of the financial assets and liabilities.

The following tables summarises the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

	Effective interest rate	Total principal & interest \$	Less than 1 year \$	1 to 5 years \$	5+ years \$
2023					
Trade and other payables	-%	44,278	44,278	-	-
Deferred asset disposal fee	-%	55,000	-	55,000	-
Borrowings	6.20%	2,194,433	2,194,433	-	-
		2,293,711	2,238,711	55,000	-
2022					
Trade and other payables	-%	30,395	30,395	-	-
Deferred asset disposal fee	-%	48,500	-	48,500	-
Borrowings	3.23%	1,872,352	58,014	1,814,338	-
		1,951,247	88,409	1,862,838	-

The principal amounts included in the above borrowings is \$2,150,000 (2022: \$1,795,000).

**KEY CAPITAL RETAIL FUND NO.9
ARSN 635 964 804**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 14: Contingent assets, liabilities and commitments

The Fund has no contingent assets, liabilities or commitments as at 30 June 2023.

Note 15: Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Note 16: Additional information

The registered office and the principal place of business of the Responsible Entity is:

Office 15

1 East Ridge Drive

CHIRNSIDE PARK VIC 3116

KEY CAPITAL RETAIL FUND NO.9
ARSN 635 964 804

DIRECTORS' DECLARATION

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) Note 1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



George Nikakis
Director

Melbourne, 28 September 2023

Independent Auditor's Report to the Unitholders of Key Capital Retail Fund No.9

Opinion

We have audited the financial report, of Key Capital Retail Fund No.9 (the Fund), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors of the Responsible Entity for the Financial Report

The directors of the responsible entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Daniel Allison & Associates Assurance

DANIEL ALLISON & ASSOCIATES ASSURANCE
Chartered Accountants



Paul Carr
Partner
Melbourne, 28 September 2023